



State of Utah

Department of Natural Resources

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Division of Oil, Gas & Mining

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September 25, 2006

Rohan McGowan-Jackson
Manager, HSE & SD
KUCC
8315 West 3595 South
P.O. Box 6001
Magna, Utah 84044-6001

Subject: Bingham Canyon Mine M/035/0002

Dear Mr. McGowan-Jackson:

Thank you for coming in and meeting with Division personnel yesterday. It was very nice to meet you and I am glad we had an opportunity to review the relationship between the division and Kennecott. This letter is a summary and follow-up to the items we discussed. It also follows on prior correspondence concerning three major items of interest: 1) status of 10 sections within Bingham permit area; 2) reclamation bonding for the KUC Bingham Mine; and 3) the status of the mine plan.

1) On March 6, 2002, KUCC requested formal release of 10 of the 90 sections within the Bingham Canyon mining permit boundary. The "Daybreak" community is situated on a few of these sections. On January 20, 2005, the Division clarified to KUCC that the mine would need to file with the Board of OGM to have the reclamation bond released on the 10 sections. Subsequently, in a meeting in the spring of 2005, KUCC stated that much of the property that is under permit in those 10 sections has not been affected by current mining. It was asserted that the land was affected primarily by historical (pre-1976) mining. KUCC committed to providing that information, but it has not been received to date. The Division cannot make a determination that all reclamation obligations have been completed until the map is provided. In fact, no further action has occurred concerning these 10 sections. Thus they remain under a State of Utah permit as a mine.

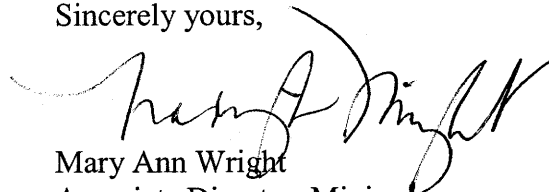
Since the Board of Oil Gas and Mining maintains full jurisdiction over its contracts with mining operations, any release must go before them. Residents of these properties are not likely aware their home exists within the boundaries of a permitted mine. To this end, we again urge KUCC to file to go before the Board.

2) On January 7, 2004 KUCC submitted a preliminary cost estimate for interim closure of the Bingham Canyon Mine permit as requested by the Division. On October 7, 2005 the Division responded to that review and said that the Division would be reviewing the estimate and asked for assistance in providing electronic maps and photographs. After spending numerous hours of staff time attempting to add detail to the estimate we have realized that the cost estimate review task is too great with our limited staff resources. The Division would like the BOGM to be aware of the cost liabilities they have accepted with this Board Contract. To that end the Division is considering bringing this issue and the prior one before the Board as a Notice of Agency Action.

3) The Division's letter to KUCC, dated February 16, 2006, requested an update to the KUC mine plan of the current expansion activities at the mine. To date we have not received this modification to the mine plan. KUCC is out of compliance with state rules because the completion of permitting for current mining activities has not taken place prior to implementation. We also would urge you to submit the appropriate documents to revise the current mine plan and come into compliance.

The Division is very concerned that KUCC has not partnered with the Division in the development of mining and reclamation plans to achieve their commitment to sustainable development and environmental stewardship. We look forward to our second and subsequent meetings with you and your staff

Sincerely yours,



Mary Ann Wright
Associate Director, Mining

cc:
Steve Alder, AAG
Mike Johnson, AAG
Board of Oil, Gas and Mining – 7 members
JRB
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